

## Message Text

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63

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 FEA-01 AGR-10 CEA-01 CIAE-00

COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04

ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 EA-09 /116 W

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R 161242Z JUL 76

FM AMEMBASSY COPENHAGEN

TO XSECSTATE WASHDC 2960

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

UNCLAS COPENHAGEN 2354

PASS AGRICULTURE

E.O. 11652: N/A

TAGS: ETRD, EAGR, EEC, DA

SUBJECT: PROPOSED EC TAX ON VEGETABLE OILS

REF: STATE 170962

1. LEADING AND INFLUENTIAL DANISH FINANCIAL DAILY CARRIED FOLLOWING ARTICLE JULY 15 UNDER HEADLINE "ANGRY AMERICANS REACT AGAINST EC -- SPEEDY REACTION TO TAX ON VEGETABLE FATS":

2. "AMERICA IS THREATENING RETALIATORY MEASURES TOWARD EC IF THE PLANS FOR TAX INCREASES ON VEGETABLE FATS ARE UNCLASSIFIED

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IMPLEMENTED. IT IS THE EC COMMISSION'S PLANS FOR INCREASED

TAXES ON SOYBEAN OIL AND OTHER VEGETABLE FATS WHICH HAVE OCCASIONED THE AMERICAN THREATS. EC COMMISSIONER P. LARDINOIS HAS PRESENTED THE PROPOSALS WITH A VIEW TO TRANSFERRING CONSUMPTION TO ANIMALS FATS AND THEREBY REDUCING THE MILK POWDER MOUNTAIN, WHICH IS OF CONCERN TO THE EC AT THE PRESENT TIME.

3. "WASHINGTON HAS CLEARLY LET BRUSSELS KNOW THAT THE US DOES NOT INTEND TO AWAIT THE USUAL PROCEDURE WITH CONSULTATIONS AND COMPLAINTS TO GATT BUT WILL SIMPLY INTRODUCE "A NUMBER OF COUNTERMEASURES IN THE TRADE POLICY FIELD IN THE SAME INSTANT THAT INCREASED TAXES ON VEGETABLE FATS FROM THIRD COUNTRIES ARE INTRODUCED." AMERICAN TRADE CIRCLES BELIEVE THAT THE US GOVERNMENT ALREADY HAS A "RETALIATION PACKAGE" READY AND THAT AMERICAN IMPORT TARIFFS ON A NUMBER OF IMPORTANT INDUSTRIAL PRODUCTS FROM THE EC WILL IMMEDIATELY BE RAISED.

4. "THE TOUGH AMERICAN REACTION IS EXPLAINED BY THE FACT THAT US EXPORTS TO EUROPE ARE VERY SENSITIVE, PARTICULARLY IN THE AGRICULTURAL SECTOR, AND THEY ARE SEVERELY IRRITATED BY "EC'S PROTECTIONISTIC AGRICULTURAL POLICY", WHICH IS ONE OF THE UNITED STATES' CONSTANT POINTS OF ATTACK IN THE ULTIMATE NEGOTIATIONS OF THE SO-CALLED TOKYO ROUND UNDER GATT.

5. "TOTAL SOYBEAN EXPORTS TO THE EC HAVE A VALUE OF ABOUT 2 BILLION DOLLARS ANNUALLY, AND EVEN THOUGH SOYBEAN OIL EXPORTS ONLY MAKE UP ABOUT 200 MILLION DOLLARS OF THIS FIGURE, AMERICAN EXPERTS BELIEVE THAT AN EXTRA TAX ON VEGETABLE FATS WILL HAVE AN IMPACT THROUGH MARKET DISTORTION AND THEREBY THREATEN THE SOYBEAN EXPORT PATTERN.

6. "THE AMERICAN EC MISSION IN BRUSSELS HAS IN AN UNOFFICIAL APPROACH TO THE EC COMMISSION STATED THAT THE LATTER NEED NOT THINK THAT THE US THREATS ARE EMPTY THIS TIME. THERE WILL BE IMMEDIATE ACTION IF THE CONTROVERSIAL TAX IS IMPLEMENTED.".

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